雲南實業控股有限公司

YUNNAN ENTERPRISES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0455)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

The board of directors (the "Board") of Yunnan Enterprises Holdings Limited (the "Company") announce the audited consolidated income statement of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 and the audited consolidated balance sheet of the Group as at 31 March 2008, together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	NOTES	2008 HK$	2007 HK$
Revenue	4	**36,303,710**	19,970,014
Cost of sales		**(10,069,226)**	(8,379,793)
Gross profit		**26,234,484**	11,590,221
Other income		**4,274,621**	2,637,417
Distribution costs		**(1,709,130)**	(654,754)
Administrative expenses		**(15,011,270)**	(13,707,521)
Gain arising from change in fair value of an investment property		**5,600,000**	1,800,000
Share of results of associates		**3,859,333**	(16,196,039)
Impairment loss on investment in an investee company		**(260,000)**	(22,480,000)
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	5	**(133,073,501)**	–
Loss before tax		**(110,085,463)**	(37,010,676)
Income tax expense	6	**(2,831,474)**	(56,480)
Loss for the year		**(112,916,937)**	(37,067,156)
Loss attributable to:			
Equity holders of the Company		**(121,350,292)**	(39,811,376)
Minority interests		**8,433,355**	2,744,220
		(112,916,937)	(37,067,156)
		HK cent	*HK cent*
Basic loss per share	7	**(19.44)**	(7.86)

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2008

	NOTES	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Investment property		**23,000,000**	17,400,000
Property, plant and equipment		**24,890,975**	24,755,418
Prepaid lease payments		**3,897,403**	3,640,439
Goodwill		**5,895,113**	5,250,359
Interests in associates		**50,013,527**	42,472,664
Investment in an investee company		**32,465,141**	32,725,141
		140,162,159	126,244,021
CURRENT ASSETS			
Inventories		**2,733,854**	1,742,685
Properties held for development		**118,051,261**	–
Loan to former ultimate holding company		**–**	350,000
Loan to an investee company		**–**	49,583
Trade and other receivables	*8*	**4,198,197**	7,657,579
Prepaid lease payments		**87,283**	79,570
Tax recoverable		**–**	84,747
Available-for-sale investment		**3,437,813**	–
Bank deposits		**99,018,328**	57,596,225
Bank balances and cash		**39,916,148**	8,545,892
		267,442,884	76,106,281
CURRENT LIABILITIES			
Trade and other payables	*9*	**5,013,402**	4,183,300
Government grants – current portion		**333,439**	400,135
Deposit received		**–**	303,515
Amount due to an associate		**909,362**	809,904
Tax payable		**1,072,091**	6,633
		7,328,294	5,703,487
NET CURRENT ASSETS		**260,114,590**	70,402,794

	NOTES	2008 HK$	2007 HK$
Total assets less current liabilities		**400,276,749**	196,646,815
NON-CURRENT LIABILITY			
Government grants – non-current portion		**2,504,535**	2,536,882
		397,772,214	194,109,933
CAPITAL AND RESERVES			
Share capital		**93,505,908**	50,685,395
Reserves		**286,423,766**	126,169,803
Equity attributable to equity holders of the Company		**379,929,674**	176,855,198
Minority interests		**17,842,540**	17,254,735
		397,772,214	194,109,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, its ultimate holding company and parent company was changed from South Hong Investment Limited to Tianda Group Limited, a private limited company incorporated in Hong Kong (more details are described in note 5).

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the Group are sales of pharmaceutical and biotech products, property holding, investment holdings, properties development and exploration and development of mineral resources.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK(IFRIC) – Int 8")	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. The relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for the investment property and certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received and receivable and represents the amounts received and receivable for goods sold by the Group, property rental income and dividend income from investments during the year.

(a) Business segments

For management purposes, the Group is currently organised into five (2007: three) operating divisions – sales of pharmaceutical and biotech products, property rental, properties development, investment holding for dividend income and exploration and development of mineral resources. During the year, the Group added two business segments in respect of the properties held for development and exploration and development of mineral resources. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

Year ended 31 March 2008

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Investment holding	Exploration and development of mineral resources	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
REVENUE – EXTERNAL	35,445,038	858,672	–	–	–	–	36,303,710
SEGMENT RESULTS	16,811,926	5,050,898	(196,612)	(362,935)	(83,875)	–	21,219,402
Other income	309,288	–	–	–	–	3,965,333	4,274,621
Unallocated corporate expenses						(139,438,819)	(139,438,819)
Share of results of associates	3,092,131	–	–	–	–	767,202	3,859,333
Loss before tax							(110,085,463)
Income tax expense							(2,831,474)
Loss for the year							(112,916,937)

BALANCE SHEET

At 31 March 2008

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Investment holding	Exploration and development of mineral resources	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS							
Segment assets	37,087,529	23,268,500	118,160,423	37,883,159	–	–	216,399,611
Interests in associates	44,849,039	–	–	–	–	5,164,488	50,013,527
Unallocated corporate assets						141,191,905	141,191,905
Consolidated total assets							407,605,043
LIABILITIES							
Segment liabilities	6,447,883	179,828	10,000	–	–	–	6,637,711
Unallocated corporate liabilities						3,195,118	3,195,118
Consolidated total liabilities							9,832,829

OTHER INFORMATION

Year ended 31 March 2008

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Investment holding	Exploration and development of mineral resources	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Capital additions	1,288,561	4,625	118,051,410	355	–	–	119,344,951
Gain arising from change in fair value of an investment property	–	(5,600,000)	–	–	–	–	(5,600,000)
Depreciation of property, plant and equipment	2,845,697	282,509	7,412	17,492	–	4,326	3,157,436
Amortisation of prepaid lease payments	82,457	–	–	–	–	–	82,457
Impairment loss on investment in an investee company	–	–	–	260,000	–	–	260,000
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	–	–	–	–	–	133,073,501	133,073,501
Impairment loss on loan to an investee company	–	–	–	54,390	–	–	54,390
Write-down of inventories	97,186	–	–	–	–	–	97,186

Year ended 31 March 2007

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
REVENUE – EXTERNAL	17,644,534	530,707	1,794,773	–	19,970,014
SEGMENT RESULTS	2,224,402	888,523	(22,073,414)	–	(18,960,489)
Other income	145,284	–	–	2,492,133	2,637,417
Unallocated corporate expenses				(4,491,565)	(4,491,565)
Share of results of associates	(17,148,852)	–	–	952,813	(16,196,039)
Loss before tax					(37,010,676)
Income tax expense					(56,480)
Loss for the year					(37,067,156)

BALANCE SHEET

At 31 March 2007

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS					
Segment assets	49,214,516	17,809,682	35,737,024	–	102,761,222
Interests in associates	30,491,927	–	–	11,980,737	42,472,664
Unallocated corporate assets				57,116,416	57,116,416
Consolidated total assets					202,350,302
LIABILITIES					
Segment liabilities	6,481,163	182,828	33,000	–	6,696,991
Unallocated corporate liabilities				1,543,378	1,543,378
Consolidated total liabilities					8,240,369

OTHER INFORMATION

Year ended 31 March 2007

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Capital additions	4,464,273	958,410	438,265	4,300	5,865,248
Gain arising from change in fair value of an investment property	–	(1,800,000)	–	–	(1,800,000)
Depreciation of property, plant and equipment	2,475,450	293,536	109,254	4,879	2,883,119
Amortisation of intangible assets	59,099	–	–	–	59,099
Amortisation of prepaid lease payments	77,467	–	–	–	77,467
Impairment loss on intangible assets	1,426,224	–	–	–	1,426,224
Impairment loss on investment in an investee company	–	–	22,480,000	–	22,480,000
Impairment loss on loan to an investee company	–	–	717,255	–	717,255
Loss on write off of property, plant and equipment	32,278	–	–	2,862	35,140
Write-down of inventories	104,497	–	–	–	104,497

(b) Geographical segments

The Group's activities of property holding for rental income and investment holding for dividend income are located in Hong Kong while sales of pharmaceutical and biotech products, properties development and exploration and development of mineral resources are located in the PRC. The Group's revenue, segment results, segment assets and capital additions of each operating division are derived from the respective geographical areas.

5. DIFFERENCE BETWEEN THE FAIR VALUE OF THE SHARE-BASED PAYMENT AND THE FAIR VALUE OF THE IDENTIFIABLE ASSETS RECEIVED

On 25 October 2007, the Company entered into an acquisition agreement with Tianda Group Limited to acquire the entire issued share capital and shareholder's loan of Tianda Properties Limited (a wholly owned subsidiary of Tianda Group Limited) at an initial consideration of HK$167 million with reference to the fair value of net assets of the acquisition at the date of agreement. The consideration is satisfied by the Company issuing of 428,205,128 ordinary shares with a nominal value of HK$0.10 each ("Consideration Shares") at the issue price of HK$0.39 (the "Issue Price") per share. The Issue Price represented a discount of approximately 61% to the closing published price of approximately HK$1.00 of the Company as quoted on the Stock Exchange on 25 October 2007.

Assets of Tianda Properties Limited included the land use rights with fair value of HK$116,679,925 and bank balance and cash of HK$67,118,368 as at 21 December 2007 (the "Completion Date"). The transaction is accounted for as assets acquisition. The Consideration Shares amounted to HK$ 316,871,794 are issued at HK$0.74 per share (the closing price of the Company as quoted on the Stock Exchange at the Completion Date).

The difference between the fair value of the share-based payment (the Consideration Shares) and the fair value of identifiable assets (land use rights and bank balance and cash) received amounting to HK$133,073,501 is charged to consolidated income statements.

6. INCOME TAX EXPENSE

	2008	2007
	HK$	*HK$*
The income tax expense comprises:		
Current tax – PRC enterprise income tax	**2,831,474**	56,480

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for both years.

Taxation arising in the PRC is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng"), a subsidiary of the Group, is established in the Kunming economic open zone with applicable tax rate of 15% and is exempted from the PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. It is the third year of Meng Sheng subject to 50% tax relief for calendar year ended 31 December 2007.

On 16 March 2007, the PRC promulgated the new PRC Enterprise Income Tax Law (the "New Law") by Order No. 63 of the President of the PRC. Under the New Law, the enterprise income tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the applicable tax rate for Meng Sheng from the existing preferential rate to 18%, 20%, 22%, 24% and 25% for the calendar years ending 31 December 2008, 2009, 2010, 2011 and 2012, respectively, from 1 January 2008.

Another PRC subsidiary of the Group is still under pre-operation stage and there is no tax concession granted by the local tax authority.

7. BASIC LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2008	2007
	HK$	*HK$*
Loss		
Loss for the purpose of basic loss per share	**(121,350,292)**	(39,811,376)
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	**624,170,425**	506,853,952

No diluted loss per share is presented as the Company did not have any potentially dilutive shares in issue during both years.

8. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$	*HK$*
Trade receivables	**1,754,546**	3,334,480
Dividends receivable	**–**	2,501,472
Other receivables	**2,443,651**	1,821,627
Total trade and other receivables	**4,198,197**	7,657,579

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	2008	2007
	HK$	*HK$*
0 – 60 days	**1,682,631**	3,309,135
Over 60 days	**71,915**	25,345
	1,754,546	3,334,480

9. TRADE AND OTHER PAYABLES

The following is an analysis of the Group's trade and other payables at the balance sheet date:

	2008	2007
	HK$	*HK$*
Trade payables		
Within 60 days	**554,786**	786,362
61 – 90 days	**543,838**	250,466
Over 90 days	**357,763**	249,600
	1,456,387	1,286,428
Other payables and accruals	**3,557,015**	2,896,872
	5,013,402	4,183,300

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2008 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION & ANALYSIS

Financial review

For the year ended 31 March 2008, the Group recorded a turnover of approximately HK$36.30 million representing an increase of 82% as compared to approximately HK$19.97 million in previous year. The increase in turnover was due to the increase in sales of pharmaceutical products during the year under review. Based on a valuation carried out by qualified professional valuer, the fair value of the Group's investment property at 31 March 2008 was determined as HK$23.00 million, resulting in a gain from change in fair value of the investment property of HK$5.60 million. On the other hand, a non-cash loss of approximately HK$133.07 million, arising from the difference between the fair value of the share-based payment (428,205,128 shares issued at HK$0.74 per share, the closing share price of the Company as quoted on the Stock Exchange upon completion of the Acquisition (the issue of the Consideration Shares for the Acquisition)) of approximately HK$316.87 million and the fair value of the identifiable assets received (representing the land and bank and cash balance) of approximately HK$183.80 million, was recognised according to the Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations 8 "Scope of HKFRS 2" as a result of the Group's acquisition of the entire issued share capital of Tianheng Properties Limited (formerly known as Tianda Properties Limited) and the related shareholder's loan from Tianda Group Limited ("the Acquisition"), details of which were set out in the circular of the Company dated 23 November 2007.

The effect of the recognition of such fair value difference, which in essence inflates the share premium account with a corresponding charge to the income statement, has no effect on the net assets value of the Group and arises purely from the accounting treatment in accordance with the HKFRS.

Should the Acquisition be accounted for by recognising the fair values of the share-based payment using the fair values of the land and bank and cash balance acquired, such non-cash difference between the fair value of the share-based payment and the fair value of the identifiable assets received will not exist, and the profit attributable to equity holders of the Company for the year will become approximately HK$11.72 million (2007: loss of HK$39.81 million) and earnings per share will become HK1.88 cents (2007: loss of HK7.86 cents).

The Group shared the gain of associated companies amounting to approximately HK$3.86 million during the year under review (a share of losses of associated companies amounting to approximately HK$16.2 million for the previous year), in which the Group shared the profit from Yunnan Xingning Colour Material Printing Co. Ltd. ("Yunnan Xingning") amounting to approximately HK$0.77 million and shared the profit from Shenzhen Xinpeng Biotechnology Engineering Co., Limited ("Shenzhen Xinpeng") amounting to approximately HK$3.09 million. Taking into account the income tax expense and the minority interests, the Group recorded a loss attributable to shareholders of the Company of approximately HK$121.35 million for the financial year ended 31 March 2008, compared to a loss of approximately HK$39.8 million for the previous year. Loss per share for the current year were HK19.44 cent with loss per share of HK 7.86 cent for the previous year.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2008.

OPERATIONS ANALYSIS

Mineral and energy

During the year under review, the Group entered into a cooperative framework agreement with its strategic partners. As at the date of this report, the Group had been granted Certificate of Approval for Exploration in two mineral resources projects. On 27 February 2008, the Group, Hunan Nonferrous Metals Corporation Limited and Tianda Group entered into a cooperative framework agreement to form a JV Company for the development of nonferrous metal resources business in the five northwest provinces/regions of the PRC and cooperation in the investment and development of mineral resources projects in Australia. On 12 March 2008, the Group also entered into the Framework Agreement with Yunnan Province Non-Ferrous Metals Geological Bureau and Tianda Group for cooperation to explore and develop mineral resources in Yunnan Province. Subsequently, Department of Land & Resources of Yunnan Province has granted to Yunnan Tianda Mining Ltd., a non-wholly owned subsidiary of the Group, Certificate of Approval for Exploration of Mineral Resources in the two projects for the general exploration of lead and zinc mine at Huize County, Yunnan Province covering 45.45 sq. km and the prospecting of copper and multi-metal mine at Xinqiao, Dongchuan District, Yunnan Province covering 7.71 sq. km. The Group has launched exploration at the specified areas. Certain exploration projects in mineral resources of Tianda Mining (Gansu) Ltd., another non-wholly owned subsidiary of the Group, are also applying for approvals.

Pharmaceutical business

The Group's pharmaceutical business is run by its non-wholly owned subsidiary, Yunnan Meng Sheng Pharmaceutical Co. Ltd. ("Meng Sheng Pharmaceutical"), which is located in Kunming, the Yunnan Province. Sales orders for its product "Cerebroprotein Hydrolysate for Injection", is well received by the market, surged up in a fast pace. During the year under review, Meng Sheng Pharmaceutical recorded a turnover of approximately HK$35.45 million, represented an increase of 101% over the comparative amount last year and a net profit of approximately HK$18.74 million during the year under review. Its operating results continued to maintain its growing trend.

Property Development

The Group's property development business is mainly carried out by Zhuhai Tianheng Property Co. Ltd. ("Zhuhai Tianheng Property"), its wholly owned subsidiary in the PRC. It holds a piece of land located at the Southwest of Harbour Main Road, Yinkeng, Xiangzhou, Zhuhai (the "Land"). The Land has a total site area of approximately 25,000 square meters. The development of the Land has yet to be commenced as the existing temporary buildings on the Land have not been demolished as planned given that the occupant of such buildings has yet to relocate from the Land. Zhuhai Tianheng Property has obtained the ownership of the Land and is in the process of requesting for the removal of such occupant in accordance with relevant law of the PRC.

Associated companies

The product selling price of Shenzhen Xinpeng, one of the Group's associated companies, continued to face downward pressure during the period under review. Nevertheless, attributable to the enhanced marketing efforts enforced by the entity's sales team, sales quantity of the corresponding product was able to record mild growth. As a result, Shenzhen Xinpeng recorded a profit of approximately HK$6.44 million during the year under review. On the other hand, the product selling price of Yunnan Xingning, the Group's another associated company, faced downward pressure during the period under review. Yunnan Xingning recorded a net profit of approximately HK$3.07 million during the year under review (a net profit of approximately RMB3.81 million for the previous year) with approximately HK$0.77 million shared by the Group. Accordingly, the Group shares profit of associated companies amounting to HK$3.86 million during the year under review.

Investment

During the year ended 31 March 2008, the Group reviewed the recoverable amount of the investment in Yuxi Globe and determined a further provision for impairment loss of HK$260,000 was required (impairment loss of HK$22.48 million was provided in previous year). The recoverable amount calculation requires the Group to estimate the future dividend income expected to receive from the investment and a suitable discount rate in order to calculate the present value. The expected dividend income is based on the past performance and the management's expectations for market development.

OUTLOOK

In view of the increasing demand for resources due to the booming economy in China and the Asia-Pacific area, the prospects of the mineral and energy resources industry is optimistic with enormous potential for development. After prudent analysis and full discussions, the Company adjusted its business development objectives in a timely manner and actively explore business opportunities in the resources sector. To this end, it entered into a cooperation framework agreement with its strategic partners and was later granted the Certificate of Approval for Exploration of Mineral Resources in two mineral resources projects. The sites are considered to hold potential deposit of copper, lead and zinc. It is applying for more mining rights. On the other hand, it will expand its presence in the resources arena through fundraising, merger and acquisition to enhance its pace of investment in the industry. It is expected that the strategy of focusing on mineral and energy resources development will bring a more significant gains to the Group.

With strong research and development foundation, Meng Sheng Pharmaceutical will continue to explore and develop other new products. Diversified product portfolio and modern production facilities enable the entity to cope with the intense competition in the domestic pharmaceutical market effectively. The Group therefore believes that the pharmaceutical business will be further enhanced in the future. Moreover, the operating results of the Group's two main associated companies, Shenzhen Xinpeng and Yunnan Xingning, will expect to improve by research and development of new medicine and increase under their existing experienced management team. The Group also commits to maintain its effective cost control measures. The Group therefore believes that satisfactory results could be achieved in the coming years.

In 2008, the property market of Zhuhai has experienced a slow down. According to the statistics published by the Zhuhai government, during the first half of 2008, the average commodity housing prices in the primary property market and secondary property market in May 2008 have recorded a decline of approximately 25.8% and 40.5% respectively over the average commodity housing prices in January 2008.

In view of the above and the estimated adverse effects of the macro-economic control measures implemented by the PRC government on the PRC properties market demand, the directors are uncertain over the future of the properties market in Zhuhai. After taking into account the risk involved in the development of the Land under the prevailing uncertain market situations and the unexpected delay in the development timetable of the Land, which was originally expected to commence construction work in the first quarter of 2008, as mentioned under "Operations Analysis", the Group will consider exiting from the property development industry in Zhuhai should opportunities arise, in order to release resources for allocation to other more profitable segments.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to sustain a liquidity position. As at 31 March 2008, the Group had cash and bank balances of approximately HK$138.93 million. Approximately 18% and 36% of the cash and bank balances were denominated in United States dollar and Renminbi respectively with the remaining in Hong Kong dollar. As in the past, the Group has no external borrowings. With this strong financial position, the Group has sufficient financial resources to meet its operations and future development needs.

EXCHANGE RATE EXPOSURE

The Group's assets, liabilities and transactions are denominated in Hong Kong dollar, Renminbi or United States dollar. The Group considers that there is no material exchange rate risk currently and no hedging measures are necessary at this stage.

CHARGES ON ASSETS

The Group did not have any charges on assets as at 31 March 2008 and 31 March 2007.

EMPLOYEES

As at 31 March 2008, the Group employed approximately 100 employees in Hong Kong and China. The Group remunerates its employees based on market terms, and the qualifications and experience of the employees concerned.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices. The Company has met the code provisions as set out in the Code during the year ended 31 March 2008 except the code provision E.1.2 of the Code which provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to unexpected business commitment, Mr. Li Suiming, the Chairman of the Board who resides in Yunnan, was unable to attend the annual general meeting of the Company held on 24 August 2007 in Hong Kong.

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors. Terms of reference of the audit committee have been updated in compliance with the Code. The audit committee has reviewed together with the management of the Company the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the financial results for the year ended 31 March 2008.

By order of the Board
Li Suiming
Chairman

Hong Kong, 23 July 2008

As at the date of this announcement, the Board comprises five executive directors, being Mr.Li Suiming, Mr. Fang Wen Quan, Mr. Li Guanglin, Mr. Liu Huijiang and Mr. Ma Pizhi and three independent non-executive directors, being Mr. Chiu Sung Hong, Mr. Wu Wen Jing, Benjamin and Mr. Lam Yat Fai.